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ABSTRACT

A study used a special supplement of the Current Population Survey to examine the age, race, gender, and income effects of the unemployment eligibility and job tenure provisions in the Reemployment Act of 1994 (REA). Findings indicated that, at most, 45 percent of all dislocated workers would be eligible for income support during training. Because most cost analysis is based on tenure criteria and ignores the unemployment insurance (UI) eligibility requirement, fewer displaced workers would be eligible than is commonly assumed and program costs would be lower. The UI eligibility screen alone reduced the proportion of those eligible for training stipends to 52 percent of all dislocated workers. The eligibility requirements in the REA varied significantly in the extent to which they allocated funds based on age, experience, income, and region. Younger workers, workers with brief job tenure, workers in the South, and workers with low prior earnings were least likely to receive income support during training and, when they did receive support, were most likely to be eligible under discretionary sources until Fiscal Year 2000. Findings suggested a number of possible legislative initiatives, including some broad changes in other income support programs. (Appendixes include legislative language on income support eligibility and descriptions of potential databases for analysis.) (YLB)

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# WHO BENEFITS?

## THE IMPACT OF ALTERNATIVE ELIGIBILITY REQUIREMENTS FOR TRAINING STIPENDS IN THE REEMPLOYMENT ACT OF 1994

## RESEARCH REPORT 94-01

AUGUST 1994

NATIONAL COMMISSION FOR EMPLOYMENT POLICY

# PREFACE

BY
ANTHONY P. CARNEVALE,
CHAIRMAN
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The Reemployment Act of 1994 (REA) is a far ranging attempt to redesign programs for workers who have been dislocated from their jobs. The Act provides two categories of services -- "basic" and "intensive" -- and additional income support in the form of stipends for unemployed workers who take training. Basic services include, among other things, a preliminary skill assessment, labor market information, job referral, job search assistance, and resume help. Basic services are to be available to any individual who is permanently laid off and unlikely to obtain employment in the same or similar occupation and to those who are "long-term unemployed". Intensive services include the development of individual reemployment plans, case management, relocation allowances, and training selection. Workers who received basic services but "have been unable to obtain employment through such services" are eligible for the intensive services. Training is available under the category of intensive services and must be the result of the joint reemployment planning process undertaken by workers and case managers. Income support during training is available to some workers who engage in training.

The language defining eligibility for training stipends is included in an appendix of this study and is discussed at length here. Basically, four criteria must be met for unemployed workers to receive training stipends. First, they must be permanently displaced or long term unemployed, not temporarily laid off. Second, they must be participating in training and making satisfactory progress. Third, they must be eligible for unemployment insurance (UI), though they need not be receiving it. Finally, their tenure on their previous job must be at least one year.

The funding sources for eligible workers vary depending on their job tenure. Between FY1995 and FY1999, workers with one or more years prior job tenure, but less than three years, will be eligible for training stipends from the general, discretionary budget. Eligible workers with three or more years prior job tenure will draw on a special pool in the federal Unemployment Trust Fund (UTF) established under section 911 of the Social Security Act (SSA). After FY1999, all eligible workers will draw from the UTF funds, to the extent funds are available. The availability of funds is a significant issue; these stipends are not a full entitlement. The UTF pool is a capped entitlement, providing support to the extent that funds are available. The discretionary pool is even less secure, with funds coming out of general program budgets and allocated at the discretion of Governors.

This division of funding sources and range of eligibility criteria give rise to the study that follows. Not all unemployed workers are dislocated workers, mostly because some unemployed workers expect recall, some have quit their jobs, and some are new entrants or reentrants to the labor market. Not all unemployed workers receive unemployment

insurance or are eligible, given the range of state efforts to reduce recipiency rates during the 1980s. Also, the distribution of job tenures across the different categories of unemployed workers -- all unemployed, dislocated, and workers eligible for unemployment insurance -- is difficult to assume in advance of research. To add to this complexity, it is not sufficient to estimate total eligibility for income support because the funding sources for eligible candidates will vary depending on prior job tenure, at least until FY2000. Given the higher uncertainty of the funding outside the UTF, the full picture of who will benefit can only be seen through estimating the effects of the UI and tenure screens and examining the distribution of eligible claimants across the funding sources.

The following analysis by Marc Baldwin, an Associate Director with the National Commission for Employment Policy, shows the effects of the alternative screens and their implications for policy choices. Using data from the 1992 Current Population Survey supplement on displaced workers, Dr. Baldwin's major findings are summarized here.

# FINDINGS

## Overall Eligibility

- At most, 45 percent of all dislocated workers will be eligible for income support during training. Actual stipend expenditures will depend upon training approval and funding levels.
- Because most cost analysis is based on the tenure screens and ignores the UI eligibility requirement, fewer displaced workers will be eligible than is commonly assumed and program cost will be lower.
- Just over 16 percent of all displaced workers will be eligible for training stipends funded out of discretionary money and 29 percent will be under the capped entitlement (until FY2000).
- In the highest reasonable estimate, if 3.0 million displaced workers were to enter approved training within the required time frame and apply for stipends each year, 1.35 million will be eligible for stipends. 480,000 of them would be eligible under discretionary funds and 870,000 under the capped entitlement of the UTF.
- The UI eligibility screen alone reduces the proportion of those eligible for training stipends to 52 percent of all dislocated workers. In practice, eligibility rates could be higher under the UI requirement of the REA because the survey used for this analysis measures UI recipiency, not the broader category of eligibility.

## Age Effects

- The UI eligibility screen tends to favor older workers slightly because older workers exhibit the wage and tenure characteristics that lead to UI eligibility. The UI eligibility criteria for training stipends reduces eligibility rates to 45 percent of 20-34

year old dislocated workers, while more than half of all dislocated workers over 35 years old are still eligible after the UI screen.

- Age is directly related to the likelihood of receiving income support under the more secure funding source of the UTF.

## Race Effects

The eligibility screens produce surprising results for African Americans.

- African Americans are slightly more likely than whites and "all other" races to qualify for training stipends.
- African Americans are 21 percent of all unemployed, but only 12 percent of the dislocated worker population.
- Outside the dislocated worker population, African Americans tend to have less access to UI because of their lower earnings and limited access to job security. Among dislocated workers in the CPS survey, however, 53 percent of dislocated African Americans receive UI compared to 52 percent for whites.

These findings, it must be continually stressed, relate only to the population of dislocated workers. The distribution of prior tenures across all unemployed workers will not match the distribution across dislocated workers alone.

## Gender Effects

The effects of the various screens for training stipends for women are similar to those for African Americans.

- Women make up 46 percent of the unemployed and 40 percent of the dislocated worker population.
- 51 percent of dislocated women receive UI. As with African Americans, women who are dislocated workers are more likely to receive UI than are other unemployed women.
- Under all funding sources, 45 percent of all dislocated women will be eligible for training stipends, the same percentage as among men.
- Women are only slightly less likely than men to qualify for stipends under UTF funding.

## Income Effects

Disparities in eligibility or funding source are not evident based on race or gender, but they are notable relative to income. As a result of their lack of UI eligibility and low job tenure, low income workers are served least well under the proposed eligibility screens.

- Workers whose prior weekly earnings were less than $200 make up 23 percent of the displaced unemployed and almost 70 percent of them did not receive UI benefits when they lost their jobs.
- Eligibility rates among workers who had earned $200 or less per week are less than half the eligibility rates of workers who earned $300 or more per week.
- Eligible workers in the lowest income category are split evenly between the two funding sources. As income rises, so does the likelihood of receiving income support from the more secure funding source of the UTF.

## Regional Effects

There are strong regional differences in eligibility for training stipends, particularly because UI eligibility varies by state and region.

- Workers in the South are less likely to be eligible for stipends than are workers in other regions.
- More than half of all displaced workers in the North East will be eligible for income support during training.

Differences in regional eligibility are especially troublesome because the South is home to 34 percent of dislocated workers compared to 22 percent in each of the other three census regions. Eligibility is 16 percentage points lower in the South than in the North East.

# CONCLUSIONS

The eligibility requirements in the REA vary significantly in the extent to which they allocate funds based on age, experience, income, and region. Younger workers, workers with brief job tenure, workers in the South, and workers with low prior earnings are least likely to receive income support during training and, when they do receive support, are most likely to be eligible under discretionary sources until FY2000. These findings suggest a number of possible legislative initiatives, including some broad changes in other income support programs.

## Unemployment Insurance Reform

(1) Regional effects show up most starkly around the UI eligibility screen. The vast differences across state laws cannot be ignored by federal policy. Many workers who would be eligible for UI in some states will not be eligible in others. By relying on state UI laws, the REA imposes 50 unique screens on dislocated workers. To improve equity and clarify eligibility, federal standards in this area are needed. As an interim measure, the federal standards recommended by the 1980 National Commission on Unemployment Compensation could be used in the REA to determine eligibility for federal stipends.

(2) Because the screens relate to income support and unemployment insurance, reform of the Extended Benefit (EB) system is another means to support claimants and their families during extended training. The recommendations of the Advisory Council on Unemployment Compensation should be taken seriously in this regard. Because the capped entitlement is created by diverting funds from the federal UI administrative fund, which also pays the federal share of EB, the issue of EB reform must be considered along with the REA income support proposal.

## Alternative Methods Of Targeting Services

There are fundamental questions associated with tying income support to training. By requiring training as a condition of receiving income support, unnecessary training is encouraged and the value of individual employment plans is diminished.

(1) All of the proposed screens are designed to reduce program cost and target resources more accurately. With those goals in mind, it is worth considering making some parts of the REA voluntary for claimants. This would ensure that only the most motivated clients use resources, improving outcomes while potentially reducing total cost. Instead of relying on de facto income hurdles or myriad state laws on unemployment insurance, the program would rely more on individual motivation. When combined with boundaries in the form of guidelines for allowable training and guidance about effective job search strategies, more voluntarism could be an important component of a successful new system.

(2) In keeping with the role of Re-Employment Plans in the REA, it would be appropriate to identify the best predictors of likelihood to benefit from intensive services. The tenure screen was originally designed to identify claimants who are most likely to exhaust UI benefits. But more direct measures of the utility of training for specific individuals should be considered. Since all claimants will eventually be "profiled" as a condition of UI continued eligibility, the profiling process could be expanded to ask not only demographic and tenure questions, but questions directly related to likelihood to benefit from training. In such a system, a claimant's prior occupation and skill would be more important factors in determining program eligibility and type of intervention than would job tenure and, by default, prior earnings.

(3) Another useful change would be to "profile" later in a claimant's unemployment spell. A key factor in duration of unemployment spells is expectation of recall. A worker who expects to be recalled to a previous job is unlikely to search for work in earnest -- however mistaken his or her expectation of recall may be. The best available evidence suggests that workers who have not been recalled after about eight weeks face a steeply declining likelihood of returning to their previous employer (Katz and Meyer, 1990). With that time frame in mind, and given the high stakes involved in a claimant's answer regarding recall expectations, it might be desirable to profile claimants after several weeks of unemployment, instead of at their initial claim. The downside of such timing is that it would delay some re-employment decisions. The positive side is the reduced potential to mismatch recall expectations and recall likelihood, thereby reducing overall program cost. Later profiling would also save administrative effort given that some unemployed workers would be recalled or find work before the profiling process would be undertaken.

## Low Income Dislocated Workers

(1) The proposed tenure screens exclude more workers with low earnings than other workers. Yet low income displaced workers are at least as likely as high wage workers to require long term training. They are certainly more likely to be unable to complete that training without income support. The special needs of these workers should be accounted for through special provisions to allow more low wage dislocated workers to be eligible for retraining income support. Tenure screens may not be appropriate or may need to be supplemented with alternative requirements.

(2) Although income support is more likely to go to higher wage workers, it must be noted that 25 percent of the lowest wage dislocated worker population will still be eligible for income support and that all dislocated workers, regardless of prior income, would have access to basic and intensive services under the REA. Given the importance of re-employment policy, any efforts to reduce these supports and service levels should be resisted.

# WHO BENEFITS?

## THE IMPACT OF ALTERNATIVE ELIGIBILITY REQUIREMENTS FOR TRAINING STIPENDS IN THE REEMPLOYMENT ACT OF 1994

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National Commission for Employment Policy[1]

EXECUTIVE SUMMARY: Many preconceptions exist regarding the demographic implications of the screening mechanisms in the Re-Employment Act of 1994 (REA). This study uses a special supplement of the Current Population Survey to examine the age, race, gender, and income effects of the unemployment eligibility and job tenure provisions in the REA. The screens are found to be relatively neutral in regard to race and gender. The screens do favor higher income workers, older workers, and some regions of the country, particularly due to low unemployment benefit recipiency in the South.

In recent years, there have been strong pressures to decrease federal spending. Many programs have been eliminated and all programs are being asked to increase efficiency and reduce costs. As part of that trend, there is growing interest in targeting programs as specifically as possible to those citizens most likely to benefit or most in need. This paper addresses one context in which this effort to better target resources is being carried out, the screening mechanisms in the Re-Employment Act of 1994 (henceforth, REA).

The REA would consolidate various dislocated worker programs and broaden the potential client base for re-employment services as discussed in Chairman Carnevale's preface to this report. Although there is one REA, each house of Congress has two committees with jurisdiction over parts of the Act, so the REA has become four bills (S1964, S1951, HR4040, HR4050). The finance committee pieces (S1951/HR4040) include more detail on funding mechanisms, particularly the income support provisions. The human resource versions of the Act (S1964/HR4050) include all but the income support legislation from the finance committees.[2]

The Act provides for basic and intensive services, training money, and income support during training for some clients. Not all unemployed workers will be eligible for all services or income support and there are different pools of funds for retraining income support for selected workers until Fiscal Year 2000. Important distinctions are made

1 Special thanks are due Stephen J. Rose of the NCEP for invaluable assistance in evaluating and using the CPS Supplement.

2 A note of caution: Because Title II of S1964/HR4040 addresses income support during training, the numbering of the titles, except for Title I, varies between the S1951/HR4050 and S1964/HR4040. Title II of S1951/HR4050 corresponds to Title III of S1964/HR4040, etc.

between time periods and categories of workers. Between FY1995 and FY1999, to be eligible for stipends, workers must:

(1) be permanently laid off,
(2) have three or more years prior job tenure, and
(3) be eligible for unemployment insurance (UI).

Unemployed workers who satisfy these criteria will be eligible for income support from a special account in the Unemployment Trust Fund (UTF) under section 911 of the Social Security Act (SSA). Displaced workers with one year or more, but less than three years, job tenure will be eligible for income support only if funds are made available from within the program budget at the state level. In the first case (workers with three or more years tenure) the support is a capped entitlement. In the second case (tenure of more than one year, but less than three), the funding is outside the UTF pool and is discretionary. After FY1999, all displaced workers who are UI eligible and have one or more years prior job tenure will be eligible for funds, to the extent they are available, from within the UTF pool.

Clearly, these alternative screening mechanisms will change the number of program participants and the cost of the program. But there are more detailed issues to consider. Screening mechanisms do more than limit absolute numbers of clients; they may change the mix of clients as well. What are the demographic implications of these screening mechanisms? How does the screen affect the program population and, hence, the mission of the policy? Which workers will only be eligible for income support outside of the UTF pool between 1995 and 1999? The analysis that follows addresses these questions by untangling the effects of different screening mechanisms on the age, race, gender, education, prior income, and geography of the potential client base.

## Data Limitations and Possibilities

The data source for the calculations reported here is the Current Population Survey (CPS) special supplement on dislocated workers for 1992. The rationale for using this source is explained in Appendix B. The Displaced Worker Supplement was explicitly designed to answer questions such as those raised by the REA provisions, but, as with any data source involving survey information, these data are not without limitations. We must be clear at the outset about the kinds of questions that we <u>can</u> answer and those which we cannot.

The CPS special supplement is neither longitudinal (studying one segment of the population over time) nor purely cross-sectional (studying a representative sample of the population in depth at one point in time). The supplemental asks a sample of the population to provide information about a previous time period, i.e., the previous five years. Posing the questions this way expands the potential number of respondents. One implication of this structure, however, is that the number of displaced workers in a given year cannot be estimated accurately because the distribution across the five years is

unknown. Questions about the distribution of subpopulations within the survey population, however, can be answered. For example, the supplement will not provide good information about the number of African-American workers with high school education who would be likely to enter dislocated worker programs in a given year. Instead, it provides clues about the portion of all clients who are likely to be from a given subpopulation. In keeping with this aspect of the survey, the tables presented in this study will show distributions, not numbers of clients.

The three screens in the proposed legislation are not perfectly captured by the supplement, though it is the best available source. First, in the legislation, potential clients are screened based on self-described likelihood of returning to previous employers. In the CPS supplement, the question about layoff status is asked about the previous five years. Because the survey asks about a past situation, the respondent's assessment of likelihood of recall to a previous employer will be more accurate in the survey than it will be during program operation. On the other hand, the post-layoff experience of a displaced worker will change his or her perspective on what happened in the past. Perhaps most significantly, the survey question about recall asks whether the respondent "lost or left" the previous job permanently due to various factors. Job leavers, even if they anticipate a plant closing, are not considered "dislocated", are much less likely to receive UI, and would not be initially eligible for intensive services under the REA, but the survey question does not separate job losers and job leavers.

The CPS supplement asks workers whether they experienced permanent job loss and then asks a follow up question about the type of job loss. In published results from the Bureau of Labor Statistics (Gardner, 1993), the displaced worker population excludes workers who lost seasonal jobs, were self-employed, or didn't specify a reason for job loss. The BLS definition of displaced workers is also limited to workers with three or more years prior job tenure. This study follows these conventions for reason of job loss, but necessarily includes workers of all tenures. Although they are eligible for services under the REA, self-employed workers are not included in this analysis. It should be noted, however, that the self-employed will almost certainly be ineligible for income support because they are ineligible for UI in almost all states.[3] If self-employed or seasonal workers were included in this analysis, the eligibility figures would be lower given the low UI recipiency rates for these workers.

Measurement of the second screen in the program, UI eligibility, is more complicated. The REA states that clients who "would have been eligible for UI had they applied" will be eligible for REA benefits. The relevant survey question asks only if respondents received UI, not whether they would have been, or think they were, eligible. Setting aside the administrative problem of determining whether someone "would have been" eligible, the potential for inaccurate reporting in the survey is high.

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3 Employers in California may apply for UI coverage of themselves

The final screen, job tenure, poses additional measurement problems. In the bills that comprise the REA, eligibility is determined by tenure with the previous employer or, in S1964 and HR4040, continuous employment in the same occupation or industry for over one year. The CPS supplement asks how many years the respondent had "worked continuously there when that job ended". The idea of working "there" may be interpreted to mean a geographic location and not an employer. The word "continuously" could be thought to signify "without layoff" despite the prevalence of periodic, short-term layoffs (for model changeover, etc.) in many industries. Because the REA includes eligibility provisions relating to industry and occupation tenure as well as employer attachment, the numbers reported here will be lower than will be actually experienced.[4] In short, the tenure measure is imperfect, but the best available given the mix of questions being asked in this study.

This database provides essential information to assess the demographic implications of the various screens. Previous studies have looked at the demographics of displaced workers, including the portion with three years or more tenure (Congressional Budget Office, 1993) or estimated the relationship between tenure and UI exhaustion (Corson and Dynarski, 1990), but there is little information about demographics within the populations of various job tenures. Here, the specific impacts of UI eligibility and various tenure requirements are measured relative to the age, race, gender, educational background, income, and geography of likely participants. Table One shows the distribution of the total displaced population across demographic and income categories.

4 The National Commission for Employment Policy is currently researching changing patterns in occupational stability.

**TABLE ONE**
**Distribution of Dislocated Worker Population By Selected Characteristics (Percentage of Total)**

| AGE | | TENURE | | WORK TIME | |
|---|---|---|---|---|---|
| 20-34 | 45% | Less than 1 year | 20% | Full Time | 89% |
| 35-44 | 27 | 1 | 17 | Part Time | 10 |
| 45-54 | 16 | 2 | 16 | N/A | 1 |
| 55+ | 11 | 3 | 10 | **UNEMPLOYMENT INSURANCE** | |
| **SEX** | | 4 | 6 | | |
| Male | 60% | 5 | 5 | Yes | 52% |
| Female | 40 | 6 or more | 24 | No | 46 |
| **RACE** | | Blank | 2 | Blank | 1 |
| | | **WEEKLY EARNING** | | Don't Know | 1 |
| White | 85% | | | **REGION** | 22% |
| Black | 12 | $200-down | 23% | | |
| Other | 3 | $201-$300 | 21 | NE | 22% |
| **EDUCATION** | | $301-$400 | 19 | MW | 22 |
| | | $401-$500 | 13 | S | 34 |
| Less than HS | 17% | $501-$800 | 16 | W | 22 |
| HS Grad | 39 | $801-up | 8 | | |
| Some College | 26 | | | | |
| College Grad | 17 | | | | |

Almost half of the displaced workers surveyed in 1992 were 20 to 34 years old. About 60 percent are male. More than half of the displaced workers surveyed (56 percent) had high school equivalents or less. Approximately one in five workers had less than one year prior job tenure with a single employer and almost one-fourth earned $200 or less per week on their pre-layoff job.

## Screening: Age Effects

Table Two shows the effects of each screen on various age groups within the displaced worker population.[5] In this and in all other tables the headings refer to tenures of (1) one year or more, but less than three, and (2) three years or more. These divisions correspond to the funding sources discussed above.

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5 Because age, tenure, and income are closely correlated, these univariate statistics cannot be construed to imply a hierarchy of causality. Individuals are not ineligible because they are young; younger workers are ineligible because age is correlated with tenure and UI eligibility and those factors determine eligibility.

**TABLE TWO**
**Eligibility Under Various Screens,**
**By Age Group**

| AGE | (1) ALL | (2) UI=yes | (3) UI=yes & Tenure= 1 to 3 yrs | (4) UI=yes & Tenure= >=3 yrs | (5) UI=yes & Tenure= 1 or more yrs. |
|---|---|---|---|---|---|
| 20-34 | 100% | 45% | 19% | 17% | 37% |
| 35-44 | 100 | 57 | 17 | 33 | 50 |
| 45-54 | 100 | 58 | 13 | 41 | 54 |
| 55+ | 100 | 59 | 9 | 46 | 55 |
| ALL | 100 | 52 | 17 | 29 | 45 |

* The sum of the 1-3 year and 3 or more years columns may not equal the final column due to rounding (e.g., in the ALL row, 16.58 + 28.66 = 45.24 is reported as 17, 29, and 45).
(3) Stipends funded from discretionary budget until FY2000.
(4) Stipends funded from the Unemployment Trust Fund (UTF) until FY2000.
(5) Portion of age group eligible for stipends from UTF after FY2000.

The column headed "UI=yes" shows the percentage of each age group that acknowledged receiving UI during their spell of unemployment. The other columns (3, 4, 5) show the combined effects of the requirements of UI eligibility and each tenure screen.

The first thing to note is the effect of the screens on overall eligibility. The bottom row, labeled "All", shows the effect of UI recipiency alone and the combination of UI recipiency and each of the tenure screens. Just over half of all dislocated workers acknowledged receiving UI benefits, a figure in keeping with national data from other sources. Published figures from the Bureau of Labor Statistics show that even among only displaced workers with three or more years tenure, a full 39 percent failed to receive UI (Gardner, 1993). Here, the denominator is all displaced workers.

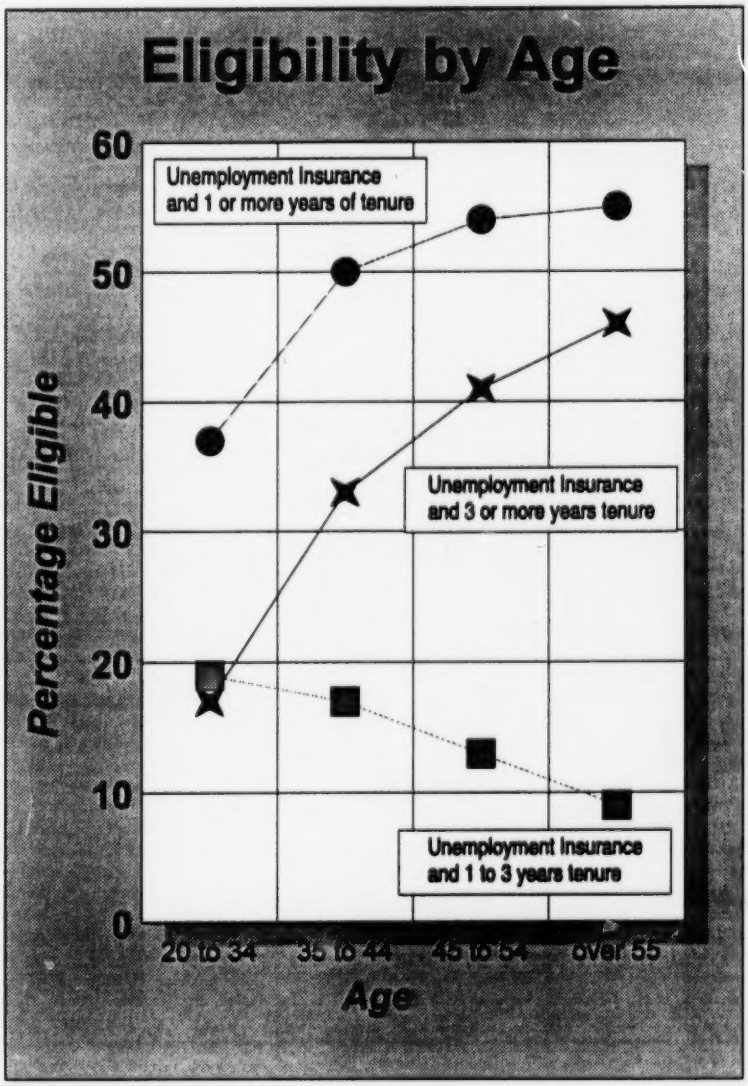
The requirement of UI eligibility combined with a one or more year tenure screen reduces eligibility to 45 percent of the total displaced worker population, with 17 percent eligible only for funds outside the Social Security Act pool between FY1995 and FY1999. Said differently, over one-third of all eligible workers will qualify only for funds outside the UTF until after FY1999.

The table also shows the effect of the screening mechanisms on eligibility by age group. The "UI=yes" column shows that older displaced workers are more likely to receive UI than are younger displaced workers. The next column shows the portion of each age group that would be eligible for income support under the combined UI and one-to-three year screen, which is funded out of discretionary money. Column 4 shows eligibility for UTF funds under the UI and three or more years tenure screen. The last column (5) shows eligibility by age group, regardless of funding source.

The funding implications of the two screens for displaced workers of different ages is clear: most of the youngest workers will receive income support outside the UTF; almost all of the eligible older workers, within the UTF.

Graph One shows the age distributions that result from the two screening methods.The graph shows that workers aged 20-34 are more likely to receive income support outside the UTF. The effect for the oldest category of workers is particularly dramatic. **Workers age 55 and older are more than three times as likely to be eligible for funding under the UTF than outside the UTF because they are more likely to have long prior job tenure.**

**Graph One**

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## Screening: Race Effects

Another important implication of the two screens is the race effect. **Table Three shows that under all tenure screens, African-American displaced workers are at least as likely, or more likely, to be eligible for income support as are white displaced workers.**

**TABLE THREE**
**Eligibility Under Various Screens**
**By Race**

| RACE | (1) ALL | (2) UI=yes | (3) UI=yes & Tenure= 1 to 3 yrs | (4) UI=yes & Tenure= >=3 yrs | (5) UI=yes & Tenure= 1 or more yrs. |
|---|---|---|---|---|---|
| White | 100% | 52% | 17% | 28% | 45% |
| African American | 100 | 53 | 16 | 31 | 47 |
| Other | 100 | 52 | 18 | 25 | 43 |

African-Americans are slightly more likely than whites to be eligible for income support and slightly more likely to receive that support under the UTF (column 4). Given the range of confidence possible with the given data, we can safely say that African-American displaced workers are at least as likely to receive income support as are other displaced workers.

## Screening: Gender Effects

Most men and women who are eligible for income support will be funded out of the UTF pool. However, as Table Four shows, the proportion of men and women eligible under each funding source is affected by the choice of screens. **Women are a slightly more likely than men to be funded outside the UTF (column 3), though the gap is not large.**

| TABLE FOUR<br>Eligibility Under Various Screens<br>By Gender | | | | | |
|---|---|---|---|---|---|
| GENDER | (1)<br>ALL | (2)<br>UI=yes | (3)<br>UI=yes &<br>Tenure=<br>1 to 3 yrs | (4)<br>UI=yes &<br>Tenure=<br>>=3 yrs | (5)<br>UI=yes &<br>Tenure=<br>1 or more yrs. |
| Male | 100% | 53% | 16% | 29% | 45% |
| Female | 100 | 51 | 17 | 28 | 45 |

Again, it must be remembered that these findings are restricted to dislocated workers. It would be mistaken to assume that these results will hold for all unemployed workers, even though the gender distribution within the dislocated worker population is quite similar to the distribution among all unemployed workers. The displaced worker survey population is 60 percent male and 40 percent female. This compares favorably with the 58 percent male and 42 percent female distribution of unemployed workers aged 16 and over in January of 1994. Although the percentage of women in the unemployed worker population and in the narrower displaced worker population are quite close, income and job experience distributions may be very different across the populations.

The fact that the sample is only displaced workers is particularly relevant, for example, to the findings on gender and UI recipiency. It is widely believed that women are disadvantaged by UI law in most states (McHugh and Kock, 1994; Maranville, 1992). The percentage of males and females receiving UI in this sample is quite similar primarily because the sample is restricted to displaced workers instead of all unemployed. Job losers are more likely to receive UI benefits than are other unemployed workers, so limiting the sample to displaced workers will reduce gender differentials in recipiency rates.

## Screening: Income Effects

The most striking finding about the various tenure screens is their relation to the prior-earnings of claimants. Table Five shows the percentage of each prior-employment income group that will be eligible under the various screening methods.

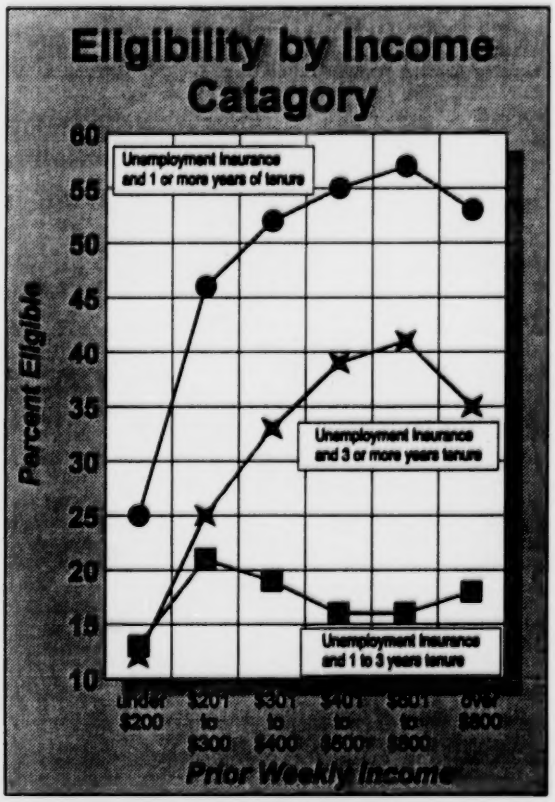
**TABLE FIVE**
**Eligibility Under Various Screens**
**By Income Group**

| EARNINGS* | (1) ALL | (2) UI=yes | (3) UI=yes & Tenure= 1 to 3 yrs | (4) UI=yes & Tenure= >=3 yrs | (5) UI=yes & Tenure= 1 or more yrs |
|---|---|---|---|---|---|
| Under $200 | 100% | 32% | 13% | 12% | 25% |
| $201-$300 | 100 | 54 | 21 | 25 | 46 |
| $301-400 | 100 | 59 | 19 | 33 | 52 |
| $401-$500 | 100 | 62 | 16 | 39 | 55 |
| $501-$800 | 100 | 64 | 16 | 41 | 57 |
| Over $801 | 100 | 57 | 18 | 35 | 53 |

* Weekly earnings in job prior to layoff.

Graph Two illustrates the implications of the screens relative to prior income.

**Graph Two**




Several important findings are apparent in the table and in the graph. First, both screens place limits on the number of very low income displaced workers who will be eligible for income support under any funding source. **Only 25 percent of displaced workers in the lowest income category will receive income support during training (column 5) and between FY1995 and FY1999 only 13 percent will receive those funds within the UTF (column 4).**

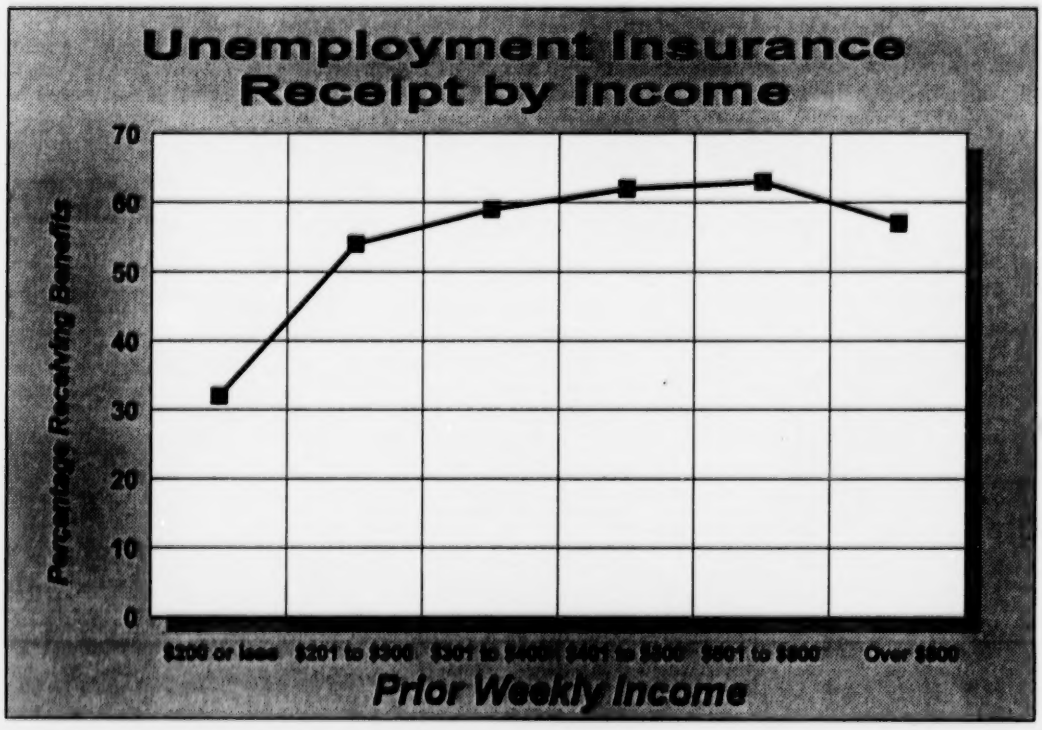
The impact on different income groups is clear, but the evaluation of this fact is more complex. Recent studies have questioned the assumed dichotomy between economically disadvantaged and dislocated workers (Levitan and Mangum, 1994). Although low-income workers are less likely to receive income support than

are other workers under the proposed REA, it bears remembering that the current situation is probably worse for many of those workers. Under current programs only very select categories of workers receive income support during training and, given the selectivity of these programs, many low income workers are unlikely recipients. The REA would go further than current programs in providing income support during training to low income displaced workers, but more could be asked of the REA and actual experience will depend upon funding levels and training approval. If one goal of re-employment policy is to improve the living standards of clients, it may be important to facilitate even more entry of low income displaced workers, providing income support and training to enable them to move up the income ladder.

A second observation from the data is that, with the exception of low-income eligibility, workers from all income categories are more likely to receive support from the UTF pool than from general program funds. Only workers earning $200 a week or less are more likely to receive discretionary funds than UTF funds (column 3 versus column 4). As prior income goes up, until the highest group is reached, likelihood of receiving funds out of the UTF also goes up (from 25 to 41 percent).

Finally, once again, the effect of the UI eligibility requirement is highlighted in the prior earnings breakdown. Graph Three shows the relationship between prior earnings and likelihood of receiving UI.

**Graph Three**



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As prior earnings rise, up to the highest category, so does the likelihood that a displaced worker will receive UI. Moreover, the vast majority of workers in the lowest income category are excluded from the UI system. **Almost 70 percent of the displaced workers who earned $200 or less per week at their previous jobs did not receive UI benefits.**

Some summary measures of the relationship between prior earnings and program eligibility are shown in the following two tables. Table Six shows the average weekly earnings that were received by various categories of workers prior to displacement.

**TABLE SIX**
**Average Weekly Earnings In Pre-Layoff Employment by Selected Characteristics**

| | | | |
|---|---|---|---|
| **AGE** | | **TENURE** | |
| 20-34 | $344 | Under 1 year | $313 |
| 35-44 | 476 | 1 | 347 |
| 45-54 | 502 | 2 | 410 |
| 55+ | 433 | 3 | 423 |
| **SEX** | | 4 | 477 |
| Male | $484 | 5 | 495 |
| Female | 312 | 6 or more years | 514 |
| **RACE** | | Blank | 427 |
| White | $429 | **WORK TIME** | |
| African American | 312 | Full Time | $443 |
| Other | 388 | Part Time | 172 |
| **EDUCATION** | | N/A | 483 |
| Below HS | $308 | **UI RECEIPT** | |
| HS Grad | 373 | Yes | $450 |
| Some College | 407 | No | 375 |
| College Grad | 624 | **REGION** | |
| | | NE | $450 |
| | | MW | 398 |
| | | S | 387 |
| | | W | 441 |

There are few surprises, though the magnitudes of some differences are noteworthy. Workers with less than three years tenure earned, on average, $120 per week less than those with three or more years tenure. In general, there is a clear, predictable positive correlation between job tenure and earnings.

Table Seven shows the effects of the various screens in terms of prior earnings of various categories of displaced workers.

**TABLE SEVEN**
**Earnings Differences Across Thresholds**

| | Average Wkly Earnings |
|---|---|
| UI RECIPIENT | $450 |
| Not UI Recipient | $375 |
| | |
| TENURE = Below 1 Yr | $313 |
| TENURE = 1 to 3 Yrs | $379 |
| TENURE = 1 or More Yrs | $444 |
| TENURE = 3 or More Yrs | $477 |
| TENURE = Less than 3 Yrs | $357 |
| | |
| SCREEN = UI & 1-3 YEARS | $418 |
| Not Eligible | $414 |
| | |
| SCREEN = UI & 3 or More Yrs | $485 |
| Not Eligible | $386 |
| | |
| SCREEN = UI & 1 or More Yrs | $460 |
| Not Eligible | $376 |

The average earnings of those who would be eligible under a screen that includes UI eligibility and three years or more tenure would be $99 per week higher (26 percent higher) than those who would be excluded. Earnings among eligible workers, regardless of funding source, are 22 percent higher than earnings among ineligible workers.

## Regional Differences

There are strong regional implications of the screening mechanisms, particularly the UI screen. Table Eight breaks down the effects of the screens relative to regions in the Current Population Survey.[6]

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6 The states in each region are: Northeast (ME, NH, VT, MA, RI, CT, NY, NJ, PA), Midwest (OH, IN, IL, MI, WI, MN, IA, MO, ND, SD, NE, KS), South (DE, MD, DC, VA, WV, NC, SC, GA, FL, KY, TN, AL, MS, AR, LA, OK, TX), West (MT, ID, WY,

**TABLE EIGHT**
**Eligibility Under Various Screens**
**By Region**

| REGION | (1) Percentage of U.S. Total | (2) UI=yes | (3) UI=yes & Tenure= 1 to 3 yrs | (4) UI=yes & Tenure= >=3 yrs | (5) UI=yes & Tenure= 1 or more yrs |
|---|---|---|---|---|---|
| NE | 22% | 63% | 20% | 36% | 57% |
| MW | 22 | 51 | 15 | 29 | 43 |
| S | 34 | 47 | 15 | 26 | 41 |
| W | 22 | 50 | 17 | 24 | 42 |

Differences across the regions are significant. The UI screen, using the proxy of UI recipiency, excludes 53 percent of the Southerners in the sample and only 37 percent of the sample from the North East. The final column in Table Eight shows the maximum eligibility, regardless of funding source.

Largely as a result of the UI requirement, displaced workers in the North East are significantly more likely to be eligible for income support than are workers in the South or West. This geographic distribution of eligibility is particularly important because eligibility trends run opposite population trends: the South has more of the displaced worker population than the North East (34 percent versus 22 percent of the sample), but lower eligibility rates under UI and either of the two tenure screens. Although the Re-Employment Act refers to UI "eligibility" not "recipiency", and the numbers reported here are for recipiency, the fact that UI eligibility requirements in the South are more stringent than the North must be addressed if regional equity is to be achieved.

More of the displaced workers who will be eligible for stipends are in the South than in other regions (31 percent of all eligible workers versus 27 percent for the North East and 21 percent in the Mid-West and West), but only because the South is over represented among displaced workers, at 41 percent of the total. The portion of all Southern displaced workers who will be eligible is still lower than any other region. **The full importance of regional differences is difficult to overstate. Displaced workers in the South are the largest population of the displaced worker sample, yet they have the lowest average prior earnings, the lowest likelihood of receiving UI, and the least likelihood of being eligible for income support.**

CO, NM, AZ, UT, NV, WA, OR, CA, AK, HI).

## Summary

This report has addressed some of the concerns being raised about the effects of the UI and tenure screens in the Re-Employment Act. Contrary to what many have assumed, according to the data available, there is little evidence of a gender or race bias to the screens when applied to displaced workers. It may still be true, however, that such screens will militate against women or people of color if applied to all unemployed workers or employed workers.

Although race and gender differentials in eligibility are not apparent, income differentials clearly are. The three year and up screen, combined with UI eligibility, means that displaced workers with higher prior earnings are more likely to be eligible for income support. Moreover, workers in the lowest prior income category are the only group that is more likely to be eligible for stipends funded outside the UTF than within the UTF between FY1995 and FY1999.

# APPENDIX A:

Legislative Language on
Income Support Eligibility

**S1951, HR4040**

TITLE I, PART A

"(e) RETRAINING INCOME SUPPORT.--

(1) IN GENERAL.--Eligible individuals receiving education and training services pursuant to subsection (d) who meet the requirements for receiving income support under Part A of Title II of this Act shall be referred to such program for such support. For program years 1995 through 1999, individuals who do not meet the requirements of such program but who do not meet the requirements of paragraph (2) shall, to the extent appropriated funds are available, be provided retraining income support in accordance with this subsection.

(2) ELIGIBILITY.--An eligible individual shall, to the extent appropriated funds are available, be provided retraining income support in accordance with this subsection is such individual --

(A) has been permanently laid off;

(B) either --

(i) had been continuously employed at the time of such permanent layoff for a period of one year or more, but less than three years, by the employer from whom such individual has been permanently laid off; or

(ii) was continuously employed in the same occupation and industry by an employer for a period of one year or more and was, within the preceding twelve month period --

(I) separated from such employer, and

(II) employed in the same occupation and industry by the subsequent employer from whom such individual has been permanently laid off;

(C)(i) was entitled, as a result of the layoff described in paragraph (A), to (or would have been entitled to if such individual had applied therefor) unemployment compensation under any Federal or State law for a week within the benefit period --

(I) in which the layoff took place, or

(II) which began (or would have begun) by reason of the filing of a claim for unemployment compensation by such individual after such layoff;

(ii) has exhausted all rights to any unemployment compensation to which such individual was entitled (or would have been entitled if such individual had applied therefor); and

(iii) does not have an unexpired waiting period applicable to such individual for such unemployment compensation;"

[training requirements follow]

TITLE II, PART A

SEC. 202. ELIGIBILITY REQUIREMENTS.

(a) TENURED WORKERS.--For a week beginning after July 1, 1995, to the extent that funds are available in the account established by section 911 of the Social Security Act, payment of retraining income support shall be made to an individual who files an application for such support if the following conditions are met:

(1) Such individual has been permanently laid off from such individual's employer.

(2) Except as specified in subsections (b) and (c), such individual had been continuously employed at the time of the permanent layoff for a period of three years or more by the employer from whom such individual has been permanently laid-off.

[UI requirements, training requirements, as above]

(c) ADDITIONAL ELIGIBILITY BEGINNING FISCAL YEAR 2000.--For a week beginning after September 30, 1999, in addition to individuals meeting the requirements of subsection (a), payment of retraining income support shall, to the extent that funds are available in the account established by section 911 of the Social Security Act, be made to an individual who--

(1)(A) has been continuously employed at the time of permanent layoff for a period of one year or more, but less than three years, by the employer from whom such individual has been permanently laid off; or

(B) was continuously employed in the same occupation or industry by a single employer for a period of one year or more and within the preceding 12-month period was--

(i) separated from such employer, and

(ii) employed in the same occupation and industry by a subsequent employer from who such individual has been permanently laid-off; and [etc]

# APPENDIX B:

## Potential Databases for Analysis

The ideal data source for evaluating the screens of the Re-Employment Act would include information on tenure with employers, tenure in a given industry and occupation, means to evaluate unemployment insurance eligibility by state, and a range of demographic and income characteristics for surveyed individuals. In the absence of such data, compromises are necessary. Importantly, none of the available databases provide information by which to estimate the effects of the 16 week requirement for entering training.

## Current Population Survey, Dislocated Worker Supplement

This data source was chosen because it contains close approximations of the relevant information. First, dislocated worker status is ascertained, though the relationship between recall expectation and actual recall cannot be evaluated. Second, it contains data on UI recipiency, though not eligibility of those who did not apply. Third, it has a specific question about tenure with a previous employer, though not continuous tenure in a given occupation and industry regardless of employer.

## Survey of Income and Program Participation (SIPP)

The SIPP is attractive because it is longitudinal. This structure facilitates study of employment patterns over time. There was some concern, however, that sample sizes in the SIPP would prove too small to make accurate estimations.

## Panel Study of Income Dynamics (PSID)

The PSID, like SIPP, is a longitudinal database. It provides information on tenure with a given employer, but not by industry and occupation. Like the SIPP, the PSID does not show unemployment cause. Some questions which would be relevant to this study were not available in the extract which is currently available at the NCEP. In the interest of rapid response, we decided to use the readily available CPS and return to the PSID for future use.

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